



GENERAL ASSEMBLY

COMMONWEALTH OF KENTUCKY

2011 REGULAR SESSION

HOUSE BILL NO. 309

FRIDAY, FEBRUARY 18, 2011

The following bill was reported to the Senate from the House and ordered to be printed.

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ELAINE N. WALKER
SECRETARY OF STATE
COMMONWEALTH OF KENTUCKY
BY R. Allen

1 AN ACT relating to life insurance beneficiaries.

2 *Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

3 ➔SECTION 1. A NEW SECTION OF SUBTITLE 12 OF KRS CHAPTER 304
4 IS CREATED TO READ AS FOLLOWS:

5 *(1) As used in this section, "retained asset account" means any mechanism whereby*
6 *the settlement of proceeds payable under a life insurance policy, including but*
7 *not limited to the payment of cash surrender value, is accomplished by the*
8 *insurer or an entity acting on behalf of the insurer depositing the proceeds into*
9 *an account where those proceeds are retained by the insurer, pursuant to a*
10 *supplementary contract not involving annuity benefits.*

11 *(2) (a) An insurer may not use a retained asset account as the mode of settlement*
12 *unless the insurer discloses the use of a retained asset account to the*
13 *beneficiary or the beneficiary's legal representative prior to the transfer of*
14 *life insurance proceeds to a retained asset account.*

15 *(b) A beneficiary shall be informed, prior to the distribution of any life*
16 *insurance proceeds, of his or her right to receive a lump-sum payment of*
17 *life insurance proceeds in the form of a bank check or other form of*
18 *immediate full payment of benefits.*

19 *(3) (a) A complete listing and clear explanation of all life insurance proceeds*
20 *payment options available to the beneficiary shall accompany, in written or*
21 *electronic format, the use of a retained asset account. The complete listing*
22 *and clear explanation of life insurance proceeds payment options shall*
23 *accompany the disclosure required by subsection (2)(b) of this section.*

24 *(b) Pursuant to paragraph (a) of this subsection, the use of a retained asset*
25 *account shall require the following to be included in the complete listing*
26 *and clear explanation disclosure:*

27 *1. The recommendation to consult a tax, investment, or other financial*

1 advisor regarding tax liability and investment options;

2 2. The initial interest rate, the circumstances and time frames under
 3 which interest rates may change, and any dividends and other gains
 4 that may be paid or distributed to the account holder;

5 3. The custodian of the funds or assets of the account;

6 4. The coverage guaranteed by the Federal Deposit Insurance
 7 Corporation (FDIC), if any, and the amount of the coverage;

8 5. The limitations, if any, on the number or amount of withdrawals or
 9 transfers of funds from the account, including any minimum or
 10 maximum withdrawal amounts for payment of life insurance
 11 proceeds;

12 6. The delays, if any, that the account holder may encounter in
 13 completing authorized transactions and the anticipated duration of
 14 such delays;

15 7. The services provided for a fee, including a list of the fees and the
 16 method of their calculation;

17 8. The nature and frequency of statements of account;

18 9. The payment of some or all of the life insurance proceeds may be by
 19 the delivery of checks, drafts, or other instruments to access the
 20 available funds;

21 10. The entire life insurance proceeds are available to the account holder
 22 by the use of one (1) check, draft, or other instrument;

23 11. The insurer or a related party may derive income, in addition to any
 24 fees charged on the account, from the total gains received on the
 25 investment of the balance of funds in the account;

26 12. The telephone number, address, and other contact information,
 27 including a Web site address, to obtain additional information

regarding the account; and

13. The following statement, "FOR FURTHER INFORMATION, PLEASE CONTACT YOUR STATE DEPARTMENT OF INSURANCE."

(c) The writings produced to satisfy the requirements of this subsection shall be written in plain language and printed in bold in no smaller than a twelve (12) point font.

(4) (a) Insurers shall, on at least an annual basis, report the following information to the Department of Insurance:

1. The number and dollar amount of retained asset accounts:

a. In force at the beginning of the year;

b. Issued or added during the year;

c. Closed or withdrawn during the year;

d. In force at the end of the year; and

e. That are transferred annually pursuant to KRS Chapter 393;

2. The dollar amount of investment earnings or interest credited to retained asset accounts during the year;

3. The dollar amount of fees and other charges assessed during the year;

4. A narrative description of how the retained asset accounts are structured. The description shall include:

a. All of the interest rates paid to retained asset account holders during the reporting year, as well as the number of times changes were made to interest rates during the reporting year;

b. A list of all applicable fees charged by the reporting entity directly or indirectly associated with the retained asset accounts; and

c. Whether the retained asset accounts were the default method for

1 satisfying life insurance claims;

2 5. The number and dollar amount of retained asset accounts in force at
 3 the end of the current year as compared to the prior year segregated by
 4 the following ages of the outstanding retained asset accounts:

5 a. Zero (0) to twelve (12) months;

6 b. Thirteen (13) to twenty-four (24) months;

7 c. Twenty-five (25) to thirty-six (36) months;

8 d. Thirty-seven (37) to forty-eight (48) months;

9 e. Forty-nine (49) to sixty (60) months; and

10 f. Greater than sixty (60) months;

11 6. The identity of any entity or financial institution that administers
 12 retained asset accounts on behalf of the insurer; and


13 7. Any other information relating to retained asset accounts as requested
 14 or required by the commissioner of the Department of Insurance.

15 (b) All marketing materials, disclosure statements, and supplemental contract
 16 forms utilized in connection with retained asset accounts shall be filed with
 17 the Department of Insurance prior to their use. The commissioner shall
 18 disapprove any materials, statements, or forms submitted under this section
 19 that are inconsistent with subsection (3) of this section or are otherwise
 20 untrue, unfair, deceptive, false, or misleading.

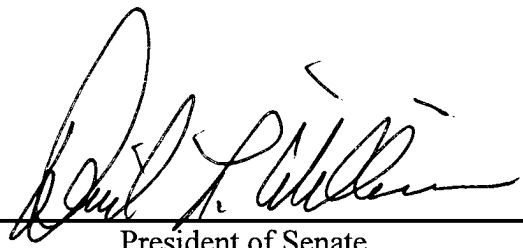
21 (5) An insurer shall immediately return any remaining balance held in a retained
 22 asset account to the beneficiary when the account becomes inactive. A retained
 23 asset account shall become inactive for purposes of this subsection if no funds
 24 are withdrawn from the account, or if no affirmative directive has been provided
 25 to the insurer by the beneficiary, during any continuous three (3) year period.

26 (6) The commissioner may promulgate administrative regulations implementing this
 27 section.

1 (7) *This section may be cited as the Beneficiaries Bill of Rights.*



Speaker-House of Representatives



President of Senate

Attest: 

Chief Clerk of House of Representatives

Approved 

Governor

Date 3-16-11